

Special Adoption

EDUCATION

THE COMMISSIONER

Improving Standards-Driven Instruction and Literacy and Increasing Efficiency in Abbott School Districts

Development of 2006-2007 School District Budgets

Special Adopted Rules: N.J.A.C. 6A:10A-1.2 and 7.2

Special Adopted New Rule: N.J.A.C.6A:10A-7.3

Adopted: March 24, 2006 by Lucille E. Davy, Acting Commissioner, Department of
Education

Filed: March 24, 2006 as R. 2006 d.148

Authority: P.L. 2005, c.#132

Effective Date: March 24, 2006

Expiration Date: June 30, 2006

Take notice that, in compliance with the provisions of the Fiscal Year 2006 Appropriations Act, the Commissioner of Education promulgated new rules on September 22, 2005 to improve learning and literacy in Abbott school districts by implementing standards-driven instruction and effective educational practices and more efficient practices under *Abbott v. Burke*.

These rules are being amended to include requirements for the development of the 2006-2007 school district budgets.

Full text of the special adopted and new rules follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus] :

SUBCHAPTER 1. GENERAL PROVISIONS

6A:10A-1.2 Definitions

The following words and terms, as used in this chapter, shall have the following meaning, unless the content indicates otherwise.

...

["Department Efficiency Study" or "DES" means the Department's cost efficiency study based on the McKinsey Group analysis, to review nine key cost centers based on median spending across the following six groups: statewide, Abbott school districts, operating type and size, county, region and district factor grouping (DFG). The nine key cost centers are administration and student support salaries, health benefits, facilities, regular transportation, special education transportation, supplies and equipment, utilities, adjusted classroom instruction and purchased professional services.]

...

["Midpoint Average Median" means the average of the highest and lowest median of the six groupings used to determine efficient costs in the Department Efficiency Study.]

...

"Roster of position control" means an inventory of all positions that lists employees by name, primary place of work, certification, and budgeted compensation that is integrated with the school district payroll system.

...

SUBCHAPTER 7. COST EFFICIENCY, EDUCATION OPPORTUNITY AID AND DISCRETIONARY EDUCATION OPPORTUNITY AID

6A:10A-7.2 Cost efficiency

(a) (No change.)

(b) Each district board of education shall ensure economies and efficiencies are being attained in the delivery of programs and services through the use of, but not limited to, [the Department Efficiency Study and] a review of administrative cost limits. The review of administrative cost limits is to ensure that advertised per pupil administrative costs do not exceed the lower of the following:

1-2. (No change.)

[(c) Each school district shall review its proposed spending using the Department's Efficiency Study, which will be distributed with the budget guidance and software.

1. The Department Efficiency Study shall compare median per pupil spending in the following nine cost centers to identify areas where the school district spending may be inefficient: administration and student support salaries, health benefits, facilities, regular transportation, special education transportation, supplies and equipment, utilities, adjusted classroom instruction and total educational purchased services.

2. The Department Efficiency Study shall compare proposed spending in nine major cost centers with other school districts in the following groups: Statewide, Abbott school districts, operating type and size, county, region and DFG.

3. The Department shall discuss with the CSA and the school business administrator any cost centers that exceed the midpoint average median of the six groupings to determine if cost savings can be achieved.

4. Any cost reductions that are agreed to by the Department and the school district shall be applied to the following priorities in the following order:

i. Spending for more effective instruction;

ii. Spending for greater efficiency;

iii. Funding for inflation; and

iv. Reductions in the school district's request for DEOA.

5. School districts are encouraged to maximize the efficiency information presented in the Department Efficiency Study and other tools provided by the Department.

6. Consistent with Abbott V, a school district shall be afforded a reasonable opportunity to demonstrate that higher than normal expenditures are justified by individual circumstances.]

[(d)] **(c)** (No change in text.)

[(e)] **(d)** In accordance with N.J.S.A 18A:55-2, the Commissioner may withheld State aid from school districts that have not demonstrated compliance with [(d)] **(c)** above.

[(f)] **(e)** (No change.)

6A:10A-7.3 Submission of final FY2007 budgets consistent with appropriations

(a) The school district board of education shall submit to the Department pursuant to N.J.S.A. 18A:7F-5(c) and 6(c), a balanced budget for the 2006-2007 school year consistent with the provisions of N.J.S.A. 18A:4-14 and 18A:22-8 and this chapter. This budget shall be consistent with the school district's two-year report on instructional priorities in that it shall include resources to ensure essential instruction and mandated expenses.

(b) A school district shall not enter any amount in excess of its EOA allocation as set forth in its State aid notification in line 287 in order to balance its budget submitted after public hearing. All State revenues available to the school district, which shall include any offset for the required tax levy increase, where appropriate, are set forth in the school district's State aid notification and the school district is not permitted to record any other state revenues to balance its budget. A district may anticipate revenues from a non-required tax levy increase without any corresponding decrease in State revenues.

(c) The budget submission shall include all necessary budget and supporting documents in an Excel format (on a CD or diskette) along with a paper copy. These documents shall be submitted on or before March 31, 2006. Additional information and documentation may be requested by the Department after initial review of the budget submission. Each Abbott school district shall submit the following documents in each budget category:

1. Contracted Salaries: Copies of all labor contracts for each bargaining unit. For any contract that has not been settled or is due to expire at the end of FY2006, the school district shall provide the anticipated range of settlement by unit. The school district shall also provide the following items:

i. An employee roster, which includes and is labeled as either full-time, part-time, or vacant position, with every name, position, location, account code, date of hire, step, longevity, guide, (that is., BA, BA + 15), and contracted salary for FY2005 (actual), FY2006 (revised budget), and FY2007 (projected). Vacant positions shall be budgeted at step one of the guide unless justification for the additional amount has been approved by the Department; and

ii. A list of retirements by employee that are anticipated to occur through FY2007. This list shall include contracted salary, benefit costs, and associated costs relating to the retirement such as contractual buyouts;

2. Stipends: A listing of job titles for all stipends to include type of position, cost, and account number for actual expenditures in FY2005, FY2006 (revised budget), and FY2007 (projected);

3. Substitutes: The total amount spent on substitutes by location and account code along with rationale for the amount in FY2005 (actual), FY2006 (revised budget), and FY2007 (projected);

4. Overtime: A roster with position, location, account code and cost of overtime for FY2005 (actual), FY2006 (revised budget), and FY2007 (projected) and a brief

description with associated costs for the requirement of overtime in FY2006 (revised budget) and FY2007 (projected);

5. FICA costs for non-certified staff which are not reimbursed by the State - The total costs expended for FY2005; actual costs expended as of February 1, 2006 for FY2006; and, detail of the FICA cost calculation for FY2007 (projected);

6. Staffing: A staff utilization/scheduling report or comparable document for each school that outlines the number of teachers both regular and special education, in each classroom with the number of students served per classroom. The school district shall also provide the following items:

i. The square footage for each school;

ii. The number, expressed as full time equivalent (FTE), of staff in each building by the following categories:

(1) Administration;

(2) Secretaries;

(3) Custodians;

(4) Security; and

(5) Police officers; and

iii. The number expressed as FTE, where appropriate, in each school in the following categories:

(1) Number of teachers to students;

(2) Number of mandated aides to students;

(3) Number of non-mandated aides per school and their purpose; and

(4) Number of teachers to classrooms;

7. Health Benefits: School districts that have elected not to participate in the State Health Benefits Plan (SHBP) shall provide:

i. A detailed justification as to cost saving with the current provider;

ii. The eligibility criteria for full and part-time staff as well as the employee contribution, if any, for all types of coverage;

iii. Total costs expended for FY2005 and FY2006;

iv. The method of calculating the increase in the total health benefit cost from FY2006 to FY2007 budget, including any documentation from provider(s) showing estimated rate increase;

v. A detail of the number of staff in each category and the cost per month for FY2006 (revised budget) and FY2007 (projected); and

vi. A copy of the employee handbook.

8. Major Medical:

i. If the school district utilizes the State Health Benefits Plan (SHBP), a Monthly Alpha Listing for the last three months shall be provided;

ii. If the school district utilizes a private provider, copies of bills for the last three months from all providers shall be provided. This shall include, but not be limited to, total enrollment by type, (i.e., single, family) and monthly rates by enrollment type; and

iii. The amount of employee contribution;

9. Prescription Program, SHBP or Private Provider: Total enrollment, by type and monthly rates; co-pays for generic and name brand drugs; and the amount of employee contribution;

10. Dental Program: Enrollment, monthly cost, and the amount of employee contribution.

11. Vision Program: Enrollment, monthly cost, and employee contribution.

12. All Other Health Benefit Programs: Enrollment, monthly cost, description, and employee contribution

13. Special Education: Provide the method of calculating the increase in both the in-district and the out-of-district cost from FY2006 (revised budget) to FY2007 (projected).

i. Out of District Tuition: The school district shall provide the following items:

(1) The special education out-of-district enrollments based on the Application for State School Aid (ASSA) for FY2003, FY2004, FY2005, FY2006, and the estimate for FY2007;

(2) A summary of actual expenses versus originally budgeted expenses for FY2003, FY2004, FY2005, FY2006, and the estimate for FY2007;

(3) Supporting documentation for any increase in the number of students projected to be sent out of the school district in FY2007; and

(4) An explanation for the changes in the number of students sent out of the school district from FY2006 to FY2007;

ii. In-District Cost: The school district shall provide the following items:

(1) Detail of all special education costs for FY2005 (actual), FY2006 (revised budget), and FY2007 (projected);

(2) Documentation for changes projected for in-district special education students;

(3) Details for all non-salary increases in special education costs;

(4) Student to faculty ratio for each classification of special education; and

(5) The number of students who were declassified during FY2005;

14. Transportation: The school district shall provide the items listed in each of the transportation categories below.

i. Regular Education: Documentation of the number of regular education students transported in-house versus contracted for in FY2006 and anticipated for FY2007.

The school district shall also provide:

(1) If contracted, date of last re-bid of transportation services;

(2) Expenditures for FY2005 (actual), FY2006 (revised budget), and FY2007 (projected); and

(3) Detail of the calculation for FY2007.

ii. Special Education Busing: Documentation of the number of special education students transported in-house versus contracted for in FY2006 and anticipated for FY2007. The school district shall provide:

(1) If contracted, date of last re-bid of transportation services;

(2) Expenditures for FY2005 (actual), FY2006 (revised budget), and FY2007 (projected); and

(3) Detail of the calculation for FY2007.

iii. Aid-in-Lieu: Documentation of the number of students; the total cost for FY2006; and the anticipated amount for FY2007;

iv. Courtesy Busing: Documentation of the number of students and total cost for FY2006 and the anticipated amount for FY2007.

v. Purchase of Buses: Total costs expended for FY2005 and anticipated for FY2006; projected costs for new buses for FY2007; and a replacement plan for the fleet if applicable; and

vi. Maintenance of Buses: Total costs expended for FY2005 and FY2006 to date and the detail of the calculation for FY2007;

15. Insurance: Schedule of insurance showing types of policies, carrier, coverage and premiums for FY2005, FY2006 and projected for FY2007. The school district shall also provide the following items:

i. A certified copy of the Board Resolution approving the use of all insurance carriers for FY2006; and

ii. The amount of any fees paid to an insurance agent/broker and the specific services that are provided by the broker if not participating in NJSBAIG;

16. Buildings Grounds and Maintenance: Detailed list of equipment purchases and approximate cost of each item scheduled for FY2007. The school district shall also provide the following items:

- i. Copy of Schedule M-1 for required maintenance;**
- ii. Projections of costs by category (i.e. required versus routine) for FY2005, FY2006, and projected for FY2007;**
- iii. A schedule of custodians by building, building square footage and instructional grade levels by building;**
- iv. A board policy for building usage and shared services agreements; and**
- v. Details for all anticipated expenses in Fund 12;**

17. Utilities: Cost by service for each utility (electric, gas, oil, water, sewer for FY2005, FY2006 (revised budget) and FY2007 (projected)). The school district shall also provide the following items:

- i. Copy of ACES and ACT contracts, if applicable**
- ii. Detail support of savings by not using ACES or ACT, if applicable; and**
- iii. Backup support if available for FY2007 (projected) (letters from vendors, Board of Public Utility notices, ACES, ACT, etc.);**

18. Administration: Provide details regarding any payments made to administrators for fringe benefit compensation (such as paid in lieu of taking: vacation days, sick days), automobiles, private annuities, compensatory time payments for FY2005,

FY2006, and FY2007 projected. The school district shall also provide the following items:

- i. Provide current contracts for all administrators (including CSA, BA, etc.), if over the Administration limits as set forth in the FY2007 budget;**
- ii. Copy of all professional contracts (that is, auditor, architect) for FY2006 recorded under either General Administration or School Administration accounts; and**
- iii. Projections of professional service contracts FY2007 by vendor.**

19. Instructional Supplies and Textbooks:

- i. Summary of costs for instructional supplies and textbooks purchased, and the number of students these supplies and textbooks serviced for years FY2005 (actual), FY2006 (revised budget), and anticipated for FY2007 (projected);**
- ii. List of any new curriculum being implemented that requires new textbooks; show all costs and the number of children they will serve, accompanied by a board resolution approving same and the associated curriculum guide; and**
- iii. List any new textbook adoptions that occurred in FY2004, FY2005, or in FY2006;**

20. Non-instructional Supplies: Summary of costs for non-instructional supplies (as defined by function 200 series and object 600 series), showing a per student amount for years FY2005 (actual), FY2006 (revised budget), and anticipated for FY2007 (projected);

21. Educational Services: A list by school of the Whole School Reform Models and including the number of years the schools have participated in them and the contractual costs per provider for FY2006 and FY2007 (projected);

22. One-Time Expenses: A list by account number, description, and cost for all one time costs (non-recurring) for FY2006 and FY2007 (projected);

23. Purchased Professional Services: List, by vendor, of professional services (vendor, service provided and cost) for FY2005 (actual), FY2006 (revised budget), and FY2007 (projected); and list of Extraordinary Unspecified Services and associated costs for FY2005, FY2006, FY2007;

24. Purchased Technical Services: List by vendor of purchased technical services (vendor, service provided and cost) for FY2005 (actual), FY2006 (revised budget), and FY2007 (projected); and a list of extraordinary unspecified services and associated costs for FY2005, FY2006, FY2007; and

25. Other Programs: A comprehensive analysis of all costs associated with other programs outside of the CCCS, including, but not limited to co-curricular, summer programs, adult education, and extended day programs. Include account numbers, description, and amounts for each program separately, and include any income generated from these programs that could offset their costs.

(d) When preparing budgets for final submission, school districts shall identify expenditures that can be reallocated to support essential instruction and mandated expenses. The Department will assist school districts in analyzing areas for reallocation, including, but not limited to:

- 1. Instructional staffing levels;**
- 2. Contracts for services, technical assistance, and program operation that have been in place for at least three years;**
- 3. Remedial education programs and services;**
- 4. Technology and technology coordinators;**
- 5. Facilities maintenance;**
- 6. Non-academic expenditures such as central office staffing and athletic programs; and**
- 7. Potential school consolidation.**

(e) School districts shall also consider the following as areas of available resources, reallocations and efficiencies when preparing budgets for final submission:

- 1. All expenditure categories shall be reviewed for efficiency by comparing historical spending patterns to determine whether increases are reasonable to maintain existing services;**
- 2. Undesignated general fund balances in excess of two percent;**
- 3. Under-budgeted miscellaneous unrestricted revenues;**
- 4. Early childhood program aid and demonstrably effective program aid projected carryover balances;**
- 5. Tuition reserves, capital reserves and all other reserves that are not required by the Department;**

6. Salary appropriations for vacant positions in excess of step one of the school district's salary scale for the position/title except for positions that are difficult to fill;

7. Salary breakage for replacement of retiring staff during the upcoming budget year;

8. Positions, programs and services or other appropriations that are not instructionally effective;

9. Appropriations in excess of the needs documented for essential instruction and mandated expenses;

10. Proper allocation of all costs eligible for funding under the Educational Facilities Construction and Financing Act, P.L. 2000, c.72 and reallocation of budget appropriations or transfers from the general fund to a capital reserve fund for any facility or project not eligible for full funding under the Educational Facilities Construction and Financing Act, P.L. 2000, c.72;

11. Aides that are not mandated for preschool, kindergarten and special education;

12. Non-recurring costs; and

13. Equipment.

(f) School districts shall also utilize the cost efficiency measures set forth in NJAC 6A:10A-7.2 to prepare and submit a final, balanced budget.

(g) School districts are required to raise a general fund tax levy which shall be no less than the sum of the general fund tax levy raised in FY2006 and the increase in

the levy from FY2006 to FY2007 that may be required. The required levy increase shall be such that the school district's total equalized tax rate shall not be below 110 percent of the state average total equalized tax rate unless such increase would result in an increase in the average household's tax liability of more than \$125.00 when utilizing 2005 tax data as published by the Department of Community Affairs. School districts are encouraged to consider increasing their local levy beyond the requirements set forth herein to support their FY2007 budget.

(h) In reviewing school districts submissions, the Department shall ensure that all available reallocations and efficiencies have been made and if they have not, shall direct appropriate reallocations so that essential instruction and mandated expenses are appropriately supported.

(i) Where appropriate, the Department shall utilize auditors and/or accountants to ensure that school districts are not maintaining inefficient, ineffective or duplicative programs, positions and services and utilizing state funds to support such programs.

(j) The CSA and Business Administrator, as well as school districts staff and school districts board members, shall give their full cooperation to Department staff and any auditors and/or accountants to ensure full access to and thorough review of school districts records.

(k) If additional EOA is available in the FY2007 Appropriations Act, such funds shall be distributed pursuant to priorities established by the Commissioner.